HOUSING MARKET INFORMATION

HOUSING MARKET OUTLOOK

Québec Region Highlights

Canada Mortgage and Housing Corporation

Date Released: Second Quarter 2009

40,000 housing starts forecast in 2009

Figure 1

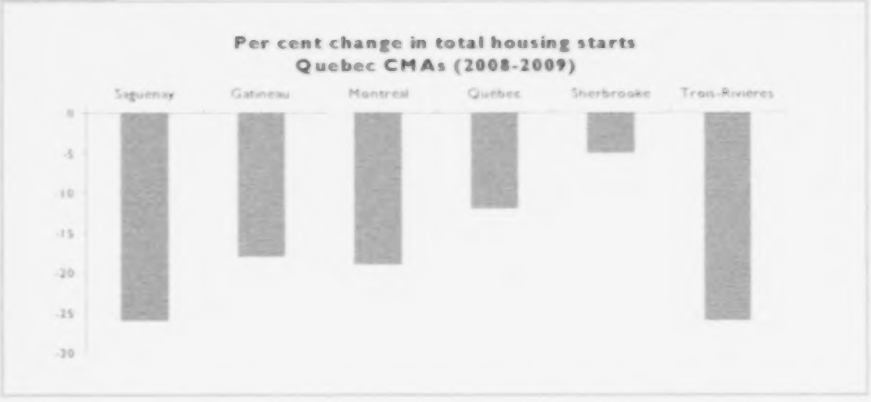
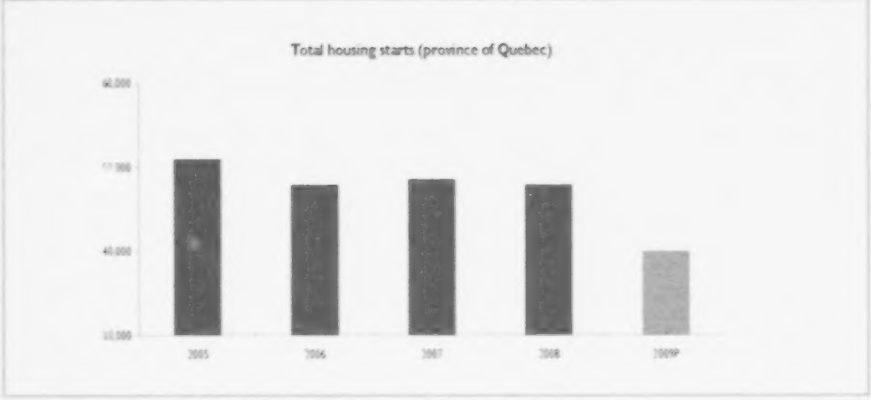


Figure 2



According to the latest forecasts conducted by Canada Mortgage and Housing Corporation (CMHC), total housing starts in Quebec shall achieve 40,000 units in 2009 and over 41,000 in 2010.

A weaker economic environment, combined with increased supply of homes in certain market segments, has set the stage for declining housing starts in Quebec this year. Despite favourable buying conditions, housing starts will move down to the 40,000 level in 2009, while sales of existing homes decrease to about 70,000 units.

The province's economy, whose growth went from 2.6 per cent in 2007 to 1.0 per cent last year, started to show signs of contraction in the last quarter of 2008. It is expected that the currently high level of economic uncertainty and the declining labour market will continue to hold back household spending in the near term. And while private investment is reduced, the outlook for exports continues to worsen as external (foreign and Canadian) demand weakens.

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However, governments have responded through increased spending on infrastructure projects and by enacting fiscal and monetary stimulus plans. Still, the Quebec economy will recede by 2 per cent in 2009, while job growth registers a similar result, a decline of 1.9 per cent. In 2010, the economy will grow by 1.4 per cent while the labour market begins to recover (0.1 per cent). Meanwhile, demographic patterns will fuel housing markets in Quebec. Sustained and increasing net migration will stimulate demand for rental housing while population aging will draw retirees into apartment living. These trends will continue, however their rate of increase is expected to slow in the short term.

The Bank of Canada has cut the target for the Overnight Rate. The rate was 4 per cent at the start of 2008 and has since fallen to 0.25 per cent. Mortgage rates are expected to be relatively stable throughout 2009, remaining within 25-75 basis points of their current levels. Posted mortgage rates will increase very gradually during the course of 2010, reflecting a rise in Government of Canada bond yields. For 2010, the one-year posted mortgage rate will be in the 4.75-6.00 per cent range, while three and five-year posted mortgage rates are forecast to be in the 5.00-6.75 per cent range.

In Detail

Single Starts: Starts in this segment will be especially affected by the economic and financial environment. Homebuyers will increasingly turn to the less expensive resale market, where supply is more abundant. Semi-detached and row housing are also likely to be viewed as more affordable substitutes. Approximately 16,600 single starts are expected in 2009 and close to 18,000 in 2010.

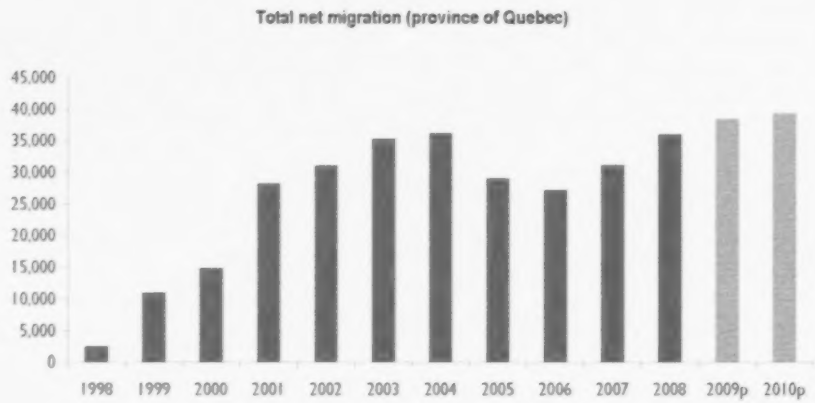
Multiple Starts: Quebec markets have posted several years of vigorous construction of retirement homes and condominiums, bringing multifamily starts to historically high levels. Given the fact the growth rate of the population aged 75 and over will temporarily slow and given current elevated supply, starts in this category will drop to 23,400 units in 2009, increasing marginally in 2010.

Resales: Sales of existing homes will decline in 2009, but will remain at a relatively high level. Demand for condominiums (town houses or apartments) will still be an important component, but will nevertheless decrease. The Multiple Listing Service (MLS) will record approximately 70,000 sales in 2009. Being the first market to react to the economic recovery, resales will amount to 77,000 in 2010.

Prices: Lower sales and rising inventories will continue to take pressure off prices. Cooling demand should rule out price growth in 2009. As a result, the MLS average resale price will fall to about $207,000 in 2009. Even though price growth resumes in the latter part of 2010, no significant increase is expected for the year as a whole.

Mortgage rates		
1 Year	Q1 2009	4.83
	% pt. chg from Q1 2008	-2.42
	2009 (F)	4.80
	2010 (F)	5.29
5 Year	Q1 2009	5.71
	% pt. chg from Q1 2008	-1.58
	2009 (F)	5.64
	2010 (F)	5.94

Source: Bank of Canada, CMHC Forecast



Quebec Region Economic and Housing Indicators

		Labour Market				Housing Market				
		Emp. Growth SA (%)	Unemp. Rate SA (%)	Average Weekly Earnings ($)		Total Starts	Single-Detached Starts	Multiple Starts	MLS® Sales[2]	MLS® Average Price ($)[2]
Gatineau	Q1 2009	-4.0	6.0	874.90	Q1 2009	618	187	431	--	--
	Q1 2008	5.7	4.5	818.98	Q1 2008	597	168	429	--	--
	Change[1]	-9.7	1.5	6.8%	% Change	3.5	11.3	0.5	--	--
Montréal	Q1 2009	-2.0	8.6	758.12	Q1 2009	3,753	796	2,957	--	--
	Q1 2008	1.5	7.2	711.89	Q1 2008	5,401	1,263	4,138	--	--
	Change[1]	-3.6	1.4	6.5%	% Change	-30.5	-37.0	-28.5	--	--
Québec	Q1 2009	3.5	4.0	741.45	Q1 2009	491	231	260	--	--
	Q1 2008	2.8	4.8	711.75	Q1 2008	869	269	600	--	--
	Change[1]	0.6	-0.8	4.2%	% Change	-43.5	-14.1	-56.7	--	--
Saguenay	Q1 2009	-0.1	9.3	727.11	Q1 2009	32	14	18	--	--
	Q1 2008	-1.9	9.3	659.79	Q1 2008	35	25	10	--	--
	Change[1]	1.7	0.0	10.2%	% Change	-8.6	-44.0	80.0	--	--
Sherbrooke	Q1 2009	-2.3	6.6	715.50	Q1 2009	259	113	146	--	--
	Q1 2008	1.4	5.9	677.64	Q1 2008	196	95	101	--	--
	Change[1]	-3.7	0.7	5.6%	% Change	32.1	18.9	44.6	--	--
Trois Rivières	Q1 2009	-7.6	9.0	694.58	Q1 2009	74	24	50	--	--
	Q1 2008	1.6	9.3	658.86	Q1 2008	186	59	127	--	--
	Change[1]	-9.1	-0.3	5.4%	% Change	-60.2	-59.3	-60.6	--	--
Quebec	March 09	-1.2	8.3	731.98	Q1 2009	6,903	2,190	4,713	17,835	$208,569
	March 08	1.4	7.3	695.27	Q1 2008	8,544	2,442	6,102	21,874	207,100
	Change[1]	-2.6	1.0	5.3%	% Change	-19.2	-10.3	-22.8	-18.5	0.7
Canada	March 09	-1.5	8.0	799.27	Q1 2009	23,772	8,814	14,958	76,896	$283,520
	March 08	1.9	6.1	769.33	Q1 2008	43,610	15,329	28,281	105,202	310,798
	Change[1]	-3.5	1.9	3.9%	% Change	-45.5	-42.5	-47.1	-26.9	-8.8

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[1]Changes to the Unemployment Rate and Employment Growth represent the ***absolute*** difference between current rates and the rates for the same period in the previous year.

[2]For the average MLS® price, the figure for the CMAs corresponds to the trend for the last four quarters, except in the case of Montréal. Also, the figure corresponds to the average price of freehold homes in the case of Montréal, Saguenay and Trois-Rivières and to the average price of all homes in the case of Gatineau, Québec and Sherbrooke.

Source: Statistics Canada (CANSIM), CMHC (Starts and Completions Survey), CREA, Local Real Estate Boards

"SA" means Seasonally Adjusted

Source for Quebec CMA's MLS® data: The Quebec Federation of Real Estate Boards by Centris™, CMHC compilation

-- Currently not available

Quebec Region Housing Forecast - New Construction

	Housing Starts	2008	2009(F)*	% chg (2008/2009)	2010(F)*	% chg (2009/2010)	YTD 2009	YTD 2008	% chg (2008/2009)
Gatineau	Single-Detached	1,120	850	-24.1	800	-5.9	187	168	11.3
	Multiple	2,184	1,850	-15.3	1,950	5.4	431	429	0.5
	Total	3,304	2,700	-18.3	2,750	1.9	618	597	3.5
Montréal	Single-Detached	6,602	5,200	-21.2	5,500	5.8	796	1,263	-37.0
	Multiple	15,325	12,500	-18.4	13,400	7.2	2,957	4,138	-28.5
	Total	21,927	17,700	-19.3	18,900	6.8	3,753	5,401	-30.5
Québec	Single-Detached	2,031	1,725	-15.1	1,465	-15.1	231	269	-14.1
	Multiple	3,426	3,070	-10.4	2,865	-6.7	260	600	-56.7
	Total	5,457	4,795	-12.1	4,330	-9.7	491	869	-43.5
Saguenay	Single-Detached	400	295	-26.3	300	1.7	14	25	-44.0
	Multiple	469	350	-25.4	265	-24.3	18	10	80.0
	Total	869	645	-25.8	565	-12.4	32	35	-8.6
Sherbrooke	Single-Detached	802	730	-9.0	750	2.7	113	95	18.9
	Multiple	825	815	-1.2	700	-14.1	146	101	44.6
	Total	1,627	1,545	-5.0	1,450	-6.1	259	196	32.1
Trois Rivières	Single-Detached	373	325	-12.9	310	-4.6	24	59	-59.3
	Multiple	775	525	-32.3	490	-6.7	50	127	-60.6
	Total	1,148	850	-26.0	800	-5.9	74	186	-60.2
Quebec	Single-Detached	19,778	16,600	-16.1	17,850	7.5	2,190	2,442	-10.3
	Multiple	28,123	23,400	-16.8	23,500	0.4	4,713	6,102	-22.8
	Total	47,901	40,000	-16.5	41,350	3.4	6,903	8,544	-19.2
Canada	Single-Detached	93,202	62,400	-33.0	67,900	8.8	8,814	15,329	-42.5
	Multiple	117,854	79,500	-32.5	82,400	3.6	14,958	28,281	-47.1
	Total	211,056	141,900	-32.8	150,300	5.9	23,772	43,610	-45.5

Source: CMHC (Starts and Completions Survey)

(F) = CMHC Forecast

* Although point forecasts are provided in this table, please refer to the Housing Forecast Range table at the end of this report to get the relevant ranges.

Quebec Region Housing Forecast - Resale Market[2]

		2008	2009(F)*	% chg (2008/2009)	2010(F)*	% chg (2009/2010)	YTD 2009	YTD 2008	% chg (2008/2009)
Gatineau	MLS® Sales	4,390	3,975	-9.5	3,875	-2.5	--	--	--
	MLS® Avg. Price[1]	186,212	189,000	1.5	190,900	1.0	--	--	--
Montreal	MLS® Sales	40,440	36,500	-9.7	39,500	8.2	--	--	--
	MLS® Avg. Price[1]	258,028	255,000	-1.2	256,000	0.4	--	--	--
Quebec	MLS® Sales	8,003	7,445	-7.0	7,820	5.0	--	--	--
	MLS® Avg. Price[1]	193,195	198,991	3.0	204,961	3.0	--	--	--
Saguenay	MLS® Sales	1,557	1,250	-19.7	1,350	8.0	--	--	--
	MLS® Avg. Price[1]	150,597	156,600	4.0	163,600	4.5	--	--	--
Sherbrooke	MLS® Sales	1,864	1,800	-3.4	1,890	5.0	--	--	--
	MLS® Avg. Price[1]	179,434	179,400	0.0	179,500	0.1	--	--	--
Trois Rivieres	MLS® Sales	799	760	-4.9	750	-1.3	--	--	--
	MLS® Avg. Price[1]	141,610	146,000	3.1	150,000	2.7	--	--	--
Quebec	MLS® Sales	79,402	70,000	-11.8	77,000	10.0	17,835	21,874	-18.5
	MLS® Avg. Price[1]	210,775	207,200	-1.7	207,500	0.1	208,569	207,100	0.7
Canada[2]	MLS® Sales	433,990	357,800	-17.6	386,100	7.9	76,827	105,115	-26.9
	MLS® Avg. Price[1]	303,607	283,100	-6.8	283,100	0.0	283,523	310,821	-8.8

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[1]For the average MLS® price, the figure for the CMAs corresponds to the trend for the last four quarters, except in the case of Montréal. Also, the figure corresponds to the average price of freehold homes in the case of Montréal, Saguenay and Trois-Rivières and to the average price of all homes in the case of Gatineau, Québec and Sherbrooke.

Source: CREA, Local Real Estate Boards

(F) = CMHC Forecast

* Although point forecasts are provided in this table, please refer to the Housing Forecast Range table at the end of this report to get the relevant ranges.

[2]Canada total excludes the territories

Source for Quebec CMA's: The Quebec Federation of Real Estate Boards by Centris™, CMHC compilation

-- Currently not available

Quebec Region Housing Forecast - Rental Market

	Vacancy Rate		Average Rent 2-Bedroom Units	
	Oct 2008	Oct 2009(F)	Oct 2008	Oct 2009(F)
Gatineau	1.9	2.5	677	690
Montréal	2.4	2.0	659	668
Québec	0.6	0.6	653	663
Saguenay	1.6	2.0	518	530
Sherbrooke	2.8	3.0	543	555
Trois Rivières	1.7	1.8	505	515
Canada	2.3	2.2	s.o.	s.o

Source: CMHC Fall Rental Market Survey
(F) = CMHC Forecast
As a result of a change in methodology, the vacancy rate forecasts for 2008 reflect conventional dwellings exclusively, whereas the 2007 vacancy rates include seniors residences in apartments.
[1] All centres 100,000+

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